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#### REGULATE LOANS TO COOPERATIVES

The cooperative movement in Hungary has undergone significant development. It is now an important task to strengthen cooperatives economically. In the interests of this consolidation, the Hungarian Council of Ministers has issued a decree, highlights of which follow:

The barn space of the cooperatives must be increased. Sufficient space must be created to house 200,000 head of cattle, 80,000 sows, 221,000 hogs, and 1,710,000 poultry. The volume of concrete silos must be increased by 350,000 cubic meters to a total of 480,000 cubic meters.

The construction materials will be issued by the National Planning Office. The various ministries and agencies will make the necessary materials available.

The National Planning Office will see to it that the cooperatives are issued machinery and various equipment. An 8-million-forint fund will be set up for the construction of agricultural railroads; a long-term loan of 500,000 forints will be set aside for surveying; and 5 million forints will be used for constructing day nurseries.

Loans may be granted only to cooperatives which operate on the basis of approved plans and have no funds with which to solve their problems.

Short-term loans may be granted for approved purposes only. A justified expense which does not appear in the plan of a cooperative may be met with funds from a reserve fund. A short-term loan may not be granted for a period exceeding one year. The interest rate is fixed at 4 percent.

Short-term loans may be granted for vegetable growing, animal husbandry, and for advance payments on wages. Loans of this type are to be granted in proportion to the area cultivated by the cooperative.

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Loans for intermediate periods are to be granted for a 4-year period, for the purchase of horses, cattle, sheep, and bees; for a 2-year period, for the purchase of hogs and poultry. The interest rate is fixed at 3 percent. The rate of amortization is increased each year. In addition, loans may be granted for the purpose of wage advances, in connection with investments carried out by the cooperative itself. In these cases, the loans are granted for a period of 3 years, are amortized in equal payments, and the interest rate is fixed at 3 percent.

Long-term loans may be granted for soil improvement, surveying, afforestation, and the establishment of vineyards and orchards. These loans are to be repaid in 12 years. The rate of repayment increases gradually from 2 to 20 percent per annum. In the case of vineyards and orchards, no amortization is required for the first 5 years. Beginning with the sixth year, the rate of repayment increases from 5 to 30 percent per year. In addition, long-term loans may be granted for the purchase of machinery, for irrigation projects, and for the replacement of fruit trees and berry shrubs. The period of repayment is 7 years, the rate of interest is one percent, and the annual amortization increases from 2 to 25 percent.

The prerequisite for all types of loans is the approved quarterly financial plan. This plan is prepared by the cooperative, with the aid of the loan association. The plan, which must show repayments, revenues, expenditures, and loan requirements, is subject to the approval of the executive committee of the district council.

The fact that the financial plans are approved does not, in itself, mean that the loans will be granted. The cooperatives have to apply for the loans at the loan association and the loans are then granted upon the recommendation of the county agricultural department. It is the duty of the agricultural department of the district council and of the loan association to see that the loans are used for the purposes for which they were granted.

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